

Message Text

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ACTION AGRE-00

INFO OCT-01 EA-09 NEA-10 ISO-00 AID-05 IGA-02 EB-07

COME-00 TRSE-00 OMB-01 CIAE-00 INR-07 NSAE-00

/042 W

-----071417Z 098152 /43

R 071102Z JUN 77

FM AMEMBASSY COLOMBO

TO SECSTATE WASHDC 7439

AMEMBASSY SINGAPORE

INFO AMEMBASSY NEW DELHI

UNCLAS COLOMBO 1969

DEPT PASS USDA FOR CEP/OGSM; NEW DELHI FOR AGATT; SINGAPORE

PLEASE PASS ALAN HUNT, WHEAT ASSOCIATES, USA

E.O. 11652: N/A

TAGS: EAGR, ETRD, CE

SUBJ: WHEAT GRAIN SALES TO SRI LANKA STATE FLOUR MILLING CORP.

REF: (A) COLOMBO 1394; (B) COLOMBO 1212 (NOTAL)

1. CHAIRMAN SILVA OF THE FLOUR MILLING CORP. TOLD EMBOFF JUNE 7 THAT HE HAS DECIDED NOT TO PURCHASE 5,000 TON SAMPLE OS US HARD RED WINTER (SEE REFTTEL A). HE SAID THAT THERE ARE SO MANY PROBLEMS INVOLVED WITH SUCH A SMALL SHIPMENT THAT HE HAS DECIDED TO DISPENSE WITH THE TEST MILLING AND TO GO AHEAD WITH A TENDER FOR APPROXIMATELY ONE YEAR'S SUPPLY OF GRAIN (I.E., ABOUT 130,000 TONS). SILVA PLANS TO DISCUSS THE MATTER WITH THE EXTERNAL RESOURCES DIVISION (ERD) LATER THIS WEEK AND TO ISSUE THE TENDER IN LATE JUNE OR EARLY JULY. (ERD OFFICIALS HAVE TOLD EMBOFF THAT IF SILVA'S PLAN IS APPROVED, AN OFFICIAL REQUEST FOR CCC CREDIT WILL BE IMMEDIATELY SENT TO THE EMBASSY.)

2. BECAUSE OF A DISPUTE BETWEEN THE FLOUR MILLING CORP. AND

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THE FOOD COMMISSIONER OVER FLOUR SPECIFICATIONS, THE LOCAL MILL WAS OUT OF PRODUCTION FOR MORE THAN A MONTH AND HAS JUST RESUMED NORMAL OPERATIONS. AS A CONSEQUENCE, THE SUPPLY OF AUSTRALIAN WHEAT UNDER THE CURRENT CONTRACT WILL NOT BE EXHAUSTED UNTIL THE END OF SEPTEMBER.

3. REGARDING THE PROPOSAL TO MILL US WHEAT IN SINGAPORE

AND TO SHIP THE FLOUR TO SRI LANKA, THE FOOD COMMISSIONER'S OFFICE SAYS THAT DUE TO THE RECORD MAHA PADDY HARVEST (CURRENTLY ESTIMATED AT 55 TO 60 MILLION BUSHELS) AND THE LARGE STOCKS OF WHEAT FLOUR ON HAND OR ENROUTE, NO ADDITIONAL FLOUR WILL BE NEEDED UNTIL ABOUT THE END OF NOVEMBER. FLOUR CONSUMPTION HAS DECLINED FROM 60,000 TONS PER MONTH EARLIER THIS YEAR TO ABOUT 45,000 TONS NOW. DROP IN CONSUMPTION IS DUE NOT ONLY TO THE INCREASED SUPPLY OF RICE, BUT ALSO TO THE FACT THAT LDE DISTRIBUTION PROBLEMS DESCRIBED REFTTEL B HAVE BEEN AGGRAVATED BY THE CURRENT RAIL STRIKE, AND SOME AREAS OF THE COUNTRY HAVE BEEN EXPERIENCING FLOUR SHORTAGES.

4. FOR HUNT: SILVA, WHO IS NOW THE ACTING ADDITIONAL SECRETARY IN MINISTRY OF INDUSTRIES SUPERVISING ALL STATE CORPORATIONS IN ADDITION TO RUNNING THE FLOUR MILL, SAID IT WOULD NOT BE POSSIBLE FOR HIM TO LEAVE THE COUNTRY BEFORE THE JULY ELECTIONS. AS HASSAN AND PULENDIRAN CAN NOT GO EITHER, YOU MAY WISH TO CONSIDER PROGRAMMING THE ORIENTATION TRIP FOR SOME TIME IN LATE 1977 OR EARLY 1978.

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Disposition Approved on Date:
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